



## MONETARY PROGRAM FOR MAY 2012

### BCRP MAINTAINS THE REFERENCE INTEREST RATE AT 4.25%

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy reference rate at 4.25 percent.

This decision is based, on the one hand, on the fact that inflation's deviation from the target has been mainly due to transitory supply factors and, on the other hand, on the fact that the economy's pace of growth is close to its potential rate of growth. Moreover, inflation expectations for this year are anchored within the target range.

Since May, the BCRP has preventively raised the rates of reserve requirements in order to offset the pace of growth of liquidity in a context of acceleration of the dedollarization of deposits, firms' increased indebtedness in dollars, and low interest rates on operations in foreign currency as a result of high international liquidity levels. The Board oversees the forecasts of inflation and its determinants to consider additional adjustments in monetary policy tools.

2. Inflation in April recorded a monthly rate of 0.53 percent, reflecting mainly the rises in the prices of some perishable agricultural products which were affected by climate alterations. As a result of this, the annual rate of inflation declined to 4.08 percent. Moreover, core inflation in April showed a rate of 0.37 percent and thus accumulated a rate of 3.78 percent in the last 12 months. Inflation excluding food and energy registered a rate of 0.32 percent and an annual rate of 2.48 percent. Furthermore, inflation expectations are within the target range.
3. Even though domestic supply shocks are being observed, the impact of these shocks on inflation is expected to reverse more strongly as from mid-2012, after which annual inflation would converge towards the target range.
4. Some current and advanced indicators of activity show that the economy's growth has stabilized around its long-term sustainable level of growth. On the other hand, indicators of global economic activity show that uncertainty about the pace of global economic activity persists.
5. The Board also approved to maintain the annual interest rates on lending and deposit operations in domestic currency (not included in auctions) between the BCRP and the financial system, as described below:
  - a. Overnight deposits: 3.45 percent.
  - b. Direct repo and rediscount operations: 5.05 percent.
  - c. Swaps: a commission equivalent to a minimum annual effective cost of 5.05 percent.
6. The Monetary Program for June will be approved on the Board's session of June 7, 2012.